

Chapter 6

Paying for College



You've decided to go to college, so now you need to consider what your education will cost and how you'll pay for it.

Don't rule out a school based on cost alone.

Financial aid programs can help students pay for college. Although some financial aid program

awards are based on academic achievement, athletic skill, musical ability or other types of special talent, many awards are based on financial need.

A formula set by Congress is used to calculate financial aid. To find out what state and federal aid you qualify for, you need to fill out the Free Application for Federal Student Aid (FAFSA). There may be other forms you'll need to fill out, so be sure you check with the school before submitting your application.

When you're ready to make definite plans, get up-to-date cost figures directly from the school you plan to attend. Depending on the financial aid packages, it's possible for you to pay the same amount to go to a high-cost college as you'd pay to go to a lower-cost school. See the Package Evaluation form on page 45.

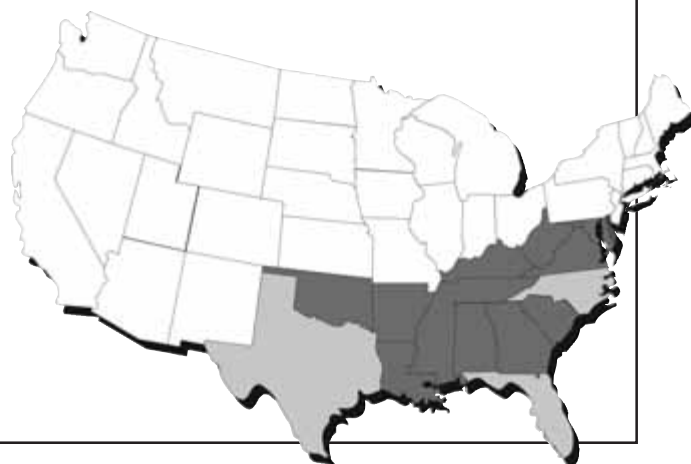
Did you know you might be able to go to an out-of-state school for the same cost as an in-state school? If the academic program you want is not available in Kentucky but is available in one of the **ACADEMIC COMMON MARKET** states, you may be able to attend there for the same cost as you would if you were a resident of that state.

About 150 schools from the following states participate in the Market at the undergraduate and graduate levels:

Alabama, Arkansas, Delaware, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Oklahoma, South Carolina, Tennessee, Virginia and West Virginia.

Florida, North Carolina and Texas participate at the graduate level. For information about and certification for the Academic Common Market, write to the KAPT Executive Director, KHEAA, P.O. Box 798, Frankfort, KY 40602-0798; call 502.696.7442; or visit cpe.ky.gov/policies/academicinit/SREB/ACM.htm and click on the Academic Common Market program listing under Related Materials.

■ Academic Common Market States
■ Graduate-Level Participant States



Questions and Answers

Who should apply for financial aid?

You should. Don't assume you won't qualify for financial aid. You might be surprised.

Who provides financial aid?

Schools, state and federal governments, and private companies and organizations. You and your family are responsible for meeting college expenses to the best of your ability.

How is financial aid awarded?

It's awarded on the basis of financial need (need-based) or on the basis of academic achievement, athletic ability, or other talents or abilities (merit-based). Most aid is need-based but is often awarded in combination with merit-based aid.

Who coordinates the financial aid process?

Generally, the school's financial aid office develops your financial aid package according to program guidelines and regulations. The financial aid package is usually a combination of grants, scholarships, work-study, and/or loans and depends on the availability of funds.

Where can I get information about financial aid?

The financial aid officers of the schools you're interested in attending, GoHigherKY.org and www.kheaa.com are good starting points. More information can be found in Chapter 7.

Types of Financial Aid

Grants: Awards based on need that do not need to be repaid.

Scholarships: Awards based on some kind of special achievement, either academic, athletic or service. These are merit-based and do not need to be repaid.

Work-study: Part-time employment that lets a student earn money toward a college education either on or off campus.

Student loans: Money borrowed, either from a bank, the government or a school. A student loan must be repaid. However, low interest rates are available, and repayment doesn't start until you've either left school or graduated.

Conversion scholarships: Scholarships that require you to provide certain services for a period of time. If you don't, you have to repay the money with interest.

Waivers: An arrangement offered by some schools to eliminate certain costs for students who meet certain qualifications.

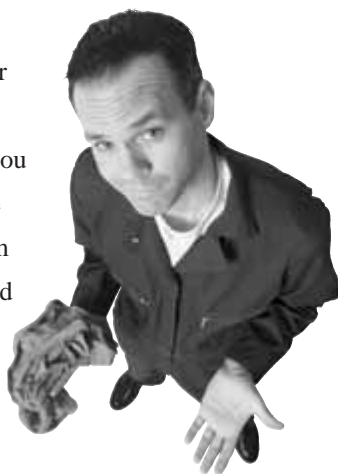
Military benefits: Financial aid offered to individuals (or their dependents) who were, are or will be in the U.S. armed forces.

Prepaid tuition: A contract guaranteeing fully paid tuition for a fixed number of credit hours at a participating school. You have to pay a certain amount up front.

National service award: An award received for education expenses in return for national or community service.

How do I apply?

If you're going to a public or private Kentucky college, university or trade school, you have to file the FAFSA to be considered for an award from the following major state and federal student financial aid programs: College Access Program Grant, Kentucky Tuition Grant, Teacher



Scholarship, Federal Stafford Loan (Federal Family Education Loan Program or Federal Direct Loan Program), Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study and Federal Perkins Loan.

You should check with the school you plan to attend to find out if other application forms are required. **Read the instructions on all applications carefully and follow them to the letter.**

When do I apply?

As early as possible. If you plan to attend a Kentucky school, submit your FAFSA as soon as possible after January 1 when you have your tax preparation data. If you're not considered an independent student (see page 49), your parents will have to provide information for the FAFSA. Students who complete and file the FAFSA early have the best chance of receiving financial aid for which they're eligible. Deadlines for financial aid programs vary. If you don't know the deadline, check with the financial aid office or the contact for program information.

What is need analysis?

Need analysis is a process used to determine if you qualify for student aid, what type you qualify for and how much. Financial need is usually the difference between your cost of education and the amount of money your family is expected to contribute. The formula is:

$$\begin{array}{l} \text{Total Cost of Attendance} \\ \text{(varies from school to school)} \\ - \text{Expected Family Contribution} \\ \text{(remains the same)} \\ \hline = \text{Financial Need} \end{array}$$

How is my expected family contribution determined?

The information on the FAFSA is used to determine what you and your family should reasonably be expected to pay toward your college costs. The formula set by Congress takes into account your family's prior-year income, current assets and expenses. Among the items considered are:

- Annual income
- Taxes paid.
- Social Security payments
- Social Security benefits
- K-TAP.
- IRA/KEOGH payments.
- Cash, savings and checking accounts.
- Real estate/investment equity.
- Number of family members attending college.
- Maintenance allowance based on size of family.

The result is your expected family contribution (EFC), which is the amount you and your family are expected to provide toward the cost of your education for that particular school year. The EFC of a dependent student is calculated on the basis of the student's and parents'

resources. The EFC of an independent student is calculated on the basis of the student's own financial resources (and those of a spouse, if the student is married).

Am I an independent student?

You are if at least one of the following applies:

- You were born before January 1, 1982.
- You're married.
- You are or will be enrolled in a master's or doctoral program (beyond a bachelor's degree) during the 2005–2006 school year.
- You have children who receive more than half their support from you.
- You have dependents (other than your children or spouse) who live with you, receive more than half their support from you now, and will continue to receive more than half their support from you through June 30, 2006.
- You're an orphan or ward of the court (or were a ward of the court until age 18).
- You're a veteran of the U.S. Armed Forces.
"Veteran" includes a student who attended a U.S. military academy who was released under a condition other than dishonorable.

If you claim to be an independent student, your school may ask you to submit proof before you can receive any federal student aid. If you think you have unusual circumstances that would make you independent even though none of the above criteria apply to you, talk with a financial aid officer at the school you plan to attend.

What if I don't qualify this year?

Reapply every year. Rules change and your financial situation can change. Because you're not eligible one year doesn't mean you won't be eligible the next.

What is "satisfactory academic progress" mentioned in the eligibility criteria of some financial aid programs?

To continue receiving aid under these programs, you must make satisfactory academic progress according to your school's policy. Federal rules require schools to monitor financial aid recipients to make sure they're making progress toward a degree or certificate. The school's policy for students receiving financial aid must include both qualitative (grade point average) and quantitative (hours attempted-hours earned) measures. The law also specifies that by the end of the second academic year, the student must have a "C" average or its equivalent or an academic standing consistent with the school's graduation requirements.



What does financial aid cover?

Financial aid must be used to pay the costs of education, which may include:

Direct Costs	Living Expenses
Tuition / Fees	Transportation / Housing / Food
Books / Supplies	Personal

How much can I get?

The total amount of need-based financial aid can't exceed the school's total cost of education minus the EFC. More information about financial aid programs in Kentucky can be found in Chapter 8.

You can get an estimate of how much financial aid you can receive and how much you might be expected to pay

toward college costs by visiting www.kheaa.com, which has the interactive College Aid Calculator, developed by Think Ahead Inc. of Dresden, Maine. The calculator can be used to estimate those figures for students of any age and residents of any state.

To use the calculator, you enter information about your financial situation without entering identifying information such as a Social Security number. The information is deleted as soon as the EFC is calculated.

You should remember that the calculator provides only an *estimated* EFC. Your exact EFC will be calculated when you submit the FAFSA. Tell the school's financial aid office about special circumstances that may affect your need for assistance.



When will I know how much I will get?

If you submit the FAFSA between January and April, you should be notified in late spring or early summer.

What are Federal Family Education Loans and Federal Direct Loans?

Federal Family Education Loans are student loans made by lenders and generally insured by agencies like KHEAA. Your loan application is certified and your loan disbursed through the school.

Federal Direct Loans are financed by the U.S. Department of Education using funds it borrows from the U.S. Treasury. The school administers the program.

By law, interest rates, fees, etc., are the same for both programs.

The U.S. Department of Education operates a toll-free telephone service for students, parents and educators who have questions about federal student assistance programs. Call 800.433.3243 (800.4FED.AID). People who use a TTY or TDD device should call the Federal Information Relay Service at 800.730.8913.

Under which program must I borrow?

Each school that participates in a student loan program has an agreement with the U.S. Department of Education to offer Federal Family Education Loans and/or Federal Direct Loans. The type of loans available to you will depend on the school you attend. Check with the financial aid office for more information or see the financial aid section for the school you've selected in Part III of this handbook.

When do I pay my college costs?

Most schools require you to pay tuition and fees no later than the first day or week of each term. If you're receiving financial aid, the school will usually deduct costs from the aid you receive. Many schools will let you pay costs in installments. Check with the schools you're interested in attending to see if extensions and payment plans are available.

Can I get a refund?

Every school that awards federal student aid must have a written refund policy and give you a copy of that policy if you ask for it. You should find out before you apply for admission if you can get a refund if you withdraw from school before you finish.

What is an enrollment contract?

Some schools use an enrollment contract to explain what you can expect the school to give you for your money. Read the contract carefully before you sign it. School representatives may promise you things that aren't in the contract, such as help finding a job. If they do, ask them to write the promise on the contract and sign and date it. If necessary, the school can add a separate sheet of paper to the contract, with the title "Addendum to [name of contract]." A promise is usually not enforceable in court unless it's in writing.

If I have a GED, can I qualify for a Kentucky Educational Excellence Scholarship (KEES) award?

If you receive a GED, you're eligible for a KEES bonus award if you:

- Were born in 1981 or later.
- Earn your GED within five years of reaching your 18th birthday. If you get your GED before you turn 18, you aren't eligible.
- Take the ACT or SAT at a national test site.
- Have at least a composite 15 on the ACT or composite 710 on the SAT.
- Enroll in a participating college within five years of receiving your GED.
- Have not been convicted of a felony.

If I receive my GED and take the ACT or SAT, how will my scores be transmitted so I receive my award?

When you begin attending classes, your school will report your ACT or SAT score and enrollment status to KHEAA, which will send your award, half each semester, to the school. The school will credit it to your account or issue you a check. You can contact KHEAA to find out if your score was reported.

If I have a GED, does it matter where I take the ACT or SAT?

Yes. You have to take the exam at a national test site. Exams given at colleges, called residual exams, can't be used for KEES purposes.

How much KEES can I receive for an ACT score of 15 or above?

Below are the amounts for each ACT score.

ACT Score	Bonus Award	ACT Score	Bonus Award
15	\$ 36	22	\$286
16	71	23	321
17	107	24	357
18	143	25	393
19	179	26	428
20	214	27	464
21	250	28 or above	500

Amounts may change based on funding.

Can I use the KEES award at any school in Kentucky?

You can use it at most schools in Kentucky. For a complete list of schools, go to www.kheaa.com/awardcolleges.pdf. If you're interested in a program of study not available in Kentucky, you may be able to use your award at an out-of-state college if approved for participation in the Academic Common Market. For more information, visit www.cpe.state.ky.us.



How many years can I use the KEES award, and do I have to use it within a specified time?

You can generally receive the award for up to eight academic terms in an undergraduate program. For most programs of study the award must be used within five years of receiving a GED or your date of high school graduation. However, students enrolled in approved five-year programs will have ten academic terms within six years to complete the program.

Do I need to have a minimum GPA in college or technical school to keep the KEES award?

Yes. To keep the full award for the second year, you must complete the first year with at least a 2.5 cumulative GPA. After that, you must have at least a 3.0 cumulative GPA to keep the full award. If you have a 2.5 to 2.99 cumulative GPA after the second year, you get half your award the third year. If your cumulative GPA falls below 2.5, you lose the award for the next year. You can regain eligibility by bringing your cumulative GPA back up to at least 2.5.

If I can only attend part-time, will I still receive the KEES award?

Yes. If you enroll at least half-time (six credit hours or the equivalent) but less than full-time, you will receive a part of your KEES award. Remember: If you receive funds as a part-time student, you still use one full semester of KEES eligibility.

The award percentages based on the number of hours per semester you're taking are:

➤	6 hours =	50 percent
➤	7 hours =	58 percent
➤	8 hours =	67 percent
➤	9 hours =	75 percent
➤	10 hours =	83 percent
➤	11 hours =	92 percent

How do I get in touch with KHEAA?

Write to KHEAA at P.O. Box 798, Frankfort, KY 40602-0798; call toll free 800.928.8926; or visit www.kheaa.com.

Are scholarships taxable?

If you attend college on scholarships, you should double-check the tax status of any financial aid with a tax advisor. The basic requirement for a scholarship to be tax free, known as a "qualified" scholarship, is that the recipient be a candidate for a degree.

A qualified scholarship is any amount used for tuition and required fees, books, supplies and equipment. Any amount received for incidental expenses is not a tax-free, qualified scholarship. Incidental expenses include expenses for room and board, travel, research and clerical help.

For more information, call the Internal Revenue Service (IRS) at **800.829.1040** or visit www.irs.gov/pub/irs-pdf/p970.pdf to download the free Publication 970 *Tax Benefits for Education*. This and other free publications are also available from the IRS by calling **(800.829.3676)** or by visiting www.irs.gov/formspubs/index.html.

What about tax credits and deductions?

There are many ways you can save money on your taxes when it comes to paying for college.

The four most common are the Hope credit, the lifetime learning credit, the tuition and fees deduction and the student loan interest deduction.

The tuition and fees deduction and the student loan interest deduction are adjustments to income. This means they reduce the amount of your income subject to tax and you can claim them even if you don't itemize deductions.

Each of these credits and deductions has special rules and income limitations. For more information on these and other educational tax benefits, refer to Publication 970, *Tax Benefits for Education*.

You can order this publication by calling 800.829.3676 or downloading it from www.irs.gov. For more information about these benefits, you can call the IRS at 800.829.1040.

Hope Credit

If you paid qualified education expenses for yourself, your spouse or a dependent, you may be able to claim a Hope credit. This credit is available for the first two years of college.



Lifetime Learning Credit

If you, your spouse or a dependent are enrolled in a degree program or are taking college courses to acquire or improve job skills, you may be able to claim a lifetime learning credit.

Kentucky Tuition Tax Credit

Beginning with Kentucky income tax returns for 2005, Kentuckians may deduct a credit of 25 percent of the federal Hope or Lifetime Learning Credits up to \$500 for tuition or related education expenses for undergraduate enrollment at an eligible Kentucky college.

Tuition and Fees Deduction

The tuition and fees deduction can reduce the amount of your income subject to tax. You may be able to deduct qualified education expenses paid during the year for yourself, your spouse or a dependent. The qualified expenses must be for college.

Student Loan Interest Deduction

Generally, personal interest you pay, other than mortgage interest, is not deductible on your tax return. However, there is a special deduction allowed for paying interest on a student loan. The deduction is taken as an adjustment to income.

Remember

Congress may change these and other tax laws at any time, so make sure you have the most up-to-date information by consulting your tax advisor or the IRS.